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SUBJECT: NICARAGUA: HONDURAN CRISIS HURTING NICARAGUAN ECONOMY

SUMMARY  
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¶1. (SBU) The Honduran crisis has adversely affected Nicaragua's economy during the last two weeks. Private industry representatives complain that closures and/or delays at major Nicaraguan-Honduran border crossings have resulted in a loss of nearly \$3 million per day in exports, and have delayed the arrival of their imports. Several companies are looking for alternate transportation routes through Costa Rica, or through other border crossings with Honduras to move their goods. Industry blames President Daniel Ortega for these economic woes because he has allowed Honduran President Manuel Zelaya to use Nicaragua as a base to heighten tensions in the Honduran crisis. The Government of Nicaragua (GON) has responded by taking some measures to alleviate obstacles to shipping goods to their markets, but the private sector worries that the economy will suffer more as long as Zelaya remains intermittently camped near the Honduran border. End Summary.

NICARAGUAN ECONOMY HURTING  
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¶2. (U) The Honduran crisis has adversely affected Nicaragua's exports, imports, and tourism industry during the last two weeks. Because Nicaragua lacks a deep-water port on its Atlantic Coast, Honduras is one of Nicaragua's primary shipping routes for trade with the United States and Europe. Industry representatives complain that President Zelaya's attempts to enter Honduras at the Las Manos border crossing have either stopped or delayed the transport of their goods through this critical transit point. The Honduran crisis has also slowed the flow of traffic at the other primary border crossings through which cargo is transported, El Espino and Guasaule, because of curfews and tighter security checks imposed by Honduran customs and border officials. Many trucks have waited at Las Manos, El Espino, and Guasaule for long periods of time to enter Honduras, including those with perishable goods such as beans and milk-based products. On July 27, local transport companies reported that there were approximately 200 trucks stopped at Las Manos waiting to enter Honduras. Business associations such as the Nicaraguan Chamber of Commerce (CACONIC) and Federation of Nicaraguan Business Associations (COSEP) estimate that the Honduran crisis has resulted in a loss of nearly \$3 million per day in exports. These losses include additional transportation and insurance costs, payment of salaries, and damaged goods, e.g., spoiled produce.

¶3. (SBU) Nicaraguan imports have also been adversely affected as businesses wait for new supplies. For example, the general manager of the Burger King franchise in Nicaragua told us that his restaurants could serve only chicken products between July 27-29 because he had to wait to receive his container of processed beef that had been shipped through Honduras. He explained that Burger King's Nicaragua sales over a typical three day period average \$22,500. However, sales dropped by 70 percent during the July 27-29 period because his restaurants could not sell hamburgers. He added that his processed beef shipment is expected to arrive on August 3, but he is worried that it might suffer more delays.

¶4. (U) Mario Salinas, President of the GON's Institute of Tourism, (INTUR), expressed concern that the Honduran crisis will affect 60 percent of the tourists who visit Nicaragua come from Honduras and El Salvador. He opined that the Honduran crisis not only adversely affects the Nicaraguan economy, but it also gives the entire region a bad image. Tourism-related businesses report that they have canceled organized tours to Nicaragua because of their customers' security concerns. Tourism representatives said that their sales have dropped by 60 percent since the Honduran crisis started on June 28. The months of June, July, and August normally attract a large number of tourists because of the holidays and festivities that occur in Nicaragua and the region during this time period.

LOOKING FOR NEW TRANSIT ROUTES  
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¶5. (SBU) Ernesto Porta, President of CACONIC, told us that most Nicaraguan companies that export to the United States and Europe have decided

INDUSTRY BLAMES ORTEGA  
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¶6. (U) Business associations such as CACONIC and COSEP blame President Ortega for the private sector's recent economic woes. They argue that the Honduran crisis is unfairly punishing the economy and President Zelaya's actions in Nicaragua should not be allowed to negatively impact Nicaraguan commercial interests. They have urged the GON to take measures to protect the flow of goods and people into and out of Nicaragua. According to COSEP, 46 percent of Nicaragua's exports transit Honduras. Fifty-five percent of

those exports that transit Honduras pass through Las Manos and El Espino. The Nicaraguan National Chamber of Tourism reported that Nicaragua normally receives about 20,000 tourists from the United States and Europe in July and August, but Nicaragua's involvement in the Honduran crisis has caused many of these potential visitors to look for other destinations.

17. (U) In response to the private sector's concerns, the GON has allowed cargo trucks that were destined to transit Las Manos to pass through other border crossings. The GON is also working to improve customs clearance facilities at Port El Rama in the South Atlantic Autonomous Region (RAAS). The use of this port would help companies transport their goods to Port Cortes in Honduras and eventually to the U.S. and Europe, decreasing their transportation costs by \$800. Industry experts assert, however, that the use of Port El Rama is not a viable option because the port normally handles only one cargo ship per week that transports up to 30 containers. They noted that Nicaragua's free trade zone alone exports 50-60 containers per week.

COMMENT  
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18. (SBU) The private sector is concerned that as long as Ortega allows Zelaya to use Nicaragua as a base of operations to heighten tensions in the Honduran crisis, the economy will suffer. Industry representatives will continue to call on Ortega to put an end to Zelaya's actions, which are negatively impacting Nicaragua. Unfortunately, those calls will likely fall on deaf ears. End Comment.  
CALLAHAN